

6

Special Journals

Client Billing	120
Preparing Invoices	121
Expense Recovery	121
Fees Book	123
Recording Payment of an Invoice	124
Accounts Receivable Journal	125
Other Specialized Journals	125
Recording Transactions in Specialized Journals	126
Posting from Special Journals	131
Analysis of Each Transaction in November	132
Completed Journal and Ledgers to November 30	134
Chapter Summary	141
Key Terms	141
Further Reading	141
Put It into Practice	142
Review Questions	143
Practice Exercises	144

LEARNING
OUTCOMES

After reading this chapter, you should be able to:

- use special journals
- record fees billed in the fees book/accounts receivable journal
- record receipts in the general receipts journal
- record disbursements in the general disbursements journal
- post from the special journals to the appropriate general ledger and client general ledger
- prepare a trial balance using control accounts

A general journal is too inefficient to be useful for recording all transactions in a legal practice. Using specialized journals to record certain transactions is preferable and simplifies the bookkeeping process. The **special journals** that are most useful in a small firm are

- a fees book (also called **fees journal**),
- a general receipts journal, and
- a general disbursements journal.

You need to understand how these special journals work and their relationship to the accounts in the general ledgers.

The special journals discussed in this chapter are in addition to the specialized trust bank journal (sometimes called the trust receipts and disbursements journal) discussed in Chapter 5. You will recall that the entries from the trust bank journal were posted to the client's trust ledger, and a client trust listing was prepared summarizing how much was in the trust account for each client at the end of the period. Using this specialized journal keeps the transactions related to the trust bank account separate from the general bank entries and helps to ensure that the wrong bank account is not used in recording transactions.

Special journals are set up to efficiently process transactions with a view to eliminating the need to post every single entry made in the journals. They are usually set up using technology. As you work through this chapter, you will appreciate that learning to use special journals can be a confusing and daunting task. The manual approach demonstrated in this chapter illustrates how information moves through a computerized system. Understanding the special journals produced in this chapter will help you interpret journals and reports prepared using an electronic system. If a firm records everything manually, using special journals will make the task easier.

Client Billing

An invoice must be prepared and sent to the client before payment on account can be received. The following information is required to prepare an invoice:

- The amount billed for time spent on a file
- Disbursements paid out of the firm's general bank account on behalf of the client
- Recovery of expenses incurred in the office that can be charged to the client, such as the cost of photocopies, faxes, and postage
- A client trust ledger statement showing the amounts on the file received in trust and paid out from the trust account

Billing Out Time on a File

Many firms use accounting software to track the amount of time spent on a file and bill the client at an hourly rate that will have been discussed at the time a retainer agreement was entered into. Firms may also bill out files using a flat rate if the parties have agreed on the amount that will be charged for a specific file. More information on recording and billing time is covered in Chapter 11, which deals with computerized time and money management.

Preparing Invoices

Work done on a file is recorded using time dockets. Work may be non-billable or billable. **Non-billable work** is work performed by the licensee that will not be charged to the client. This could include, for example, a free consultation. **Billable work**—work that is charged to the client—typically includes telephone calls, preparation of legal documents, legal research, and court time.

Lawyers and paralegals generally bill for all time spent on a client file, including work done by associates, law clerks, and legal assistants. Work performed by a secretary is not charged to clients because it is considered part of the overhead incurred in running an office.

A variety of docketing methods are available to track the time spent on a file. Law firms generally express billable time in six-minute (one-tenth of an hour) intervals. A minutes-to-decimal conversion chart is included in Chapter 11 to help you make this conversion.

Expense Recovery

The firm will want to account for **expense recovery**—disbursements incurred in the office that are to be charged to the client.

The Law Society of Upper Canada (LSUC) has generally taken the position that paralegals should not profit from disbursements charged to clients.¹ Legitimate expenses that can be passed on to clients include the cost of photocopies, faxes, long-distance calls, postage, and sometimes special office supplies needed for court. The amounts passed on to clients must be fair, reasonable, and disclosed to the client in a timely manner. You must discuss with the client all items that will be charged as disbursements, and the amount charged should be shown on the statement of account sent to the client.

Expenses incurred on behalf of clients, such as charges for deliveries, service of documents, and any other charges paid by the firm from the general bank account, can be recovered from the client. These expenses also need to be journalized and posted to the client's general ledger account.

Any amounts paid out of the trust account are not included on the invoice but rather are shown on the statement of trust funds sent to the client. The trust statement included with the invoice lists all amounts received from the client and deposited into the trust account, as well as amounts paid from the trust account on the client's behalf.

Clients should be billed on a regular basis to keep them informed of the cost of the legal services being provided. This practice avoids disagreements that can arise if matters are not billed promptly, because clients can be surprised by the cost of services rendered.

Figure 6.1 shows a sample invoice for Justin Case's firm.

¹ Law Society of Upper Canada, "Practice Management Topics: Fees and Disbursements," online: <<http://www.lsuc.on.ca/FeesandDisbursements/>>.

Justin Case, Paralegal
135 Main Street, Yourtown, Ontario K3P 1G9

Telephone: 905-992-8555

Facsimile: 905-992-8556

File #1

November 4, 20**

Robert Simpson
 10 The Driveway
 Yourtown, ON
 K9G 1V8

Re: *Simpson v. Sykes*

Date	Description	Hours	Amount	Work Done By
Oct. 5	Meeting with client to receive instructions	0.5	50.00	JC
15	Legal research	1.0	100.00	JC
30	Document preparation	1.0	<u>100.00</u>	JC
	Totals		250.00	
	Total HST on Fees		32.50	
Disbursements				
	Paid, Quick Courier	20.00		
	HST on Disbursements	<u>2.60</u>	<u>22.60</u>	
	Total Fees and Disbursements		<u><u>305.10</u></u>	
	AMOUNT DUE		305.10	

This is my account.

Justin Case
 Justin Case

TRUST STATEMENT		Disbursements	Receipts
Oct. 8	Received from Robert Simpson, retainer		500.00
27	Paid, Canada Post for registered mail	<u>12.00</u>	
30	Total Trust	12.00	500.00
	Trust Balance		<u><u>488.00</u></u>

FIGURE 6.1 Sample invoice with trust statement

Fees Book

Part V, section 18(7) of the LSUC's bylaw 9 requires licensees to maintain a **fees book**—a chronological file of copies of billings, showing all fees charged and other billings made to clients. This can be done by recording the information in the fees book or by keeping a copy of each invoice in chronological order in a billings file. Placing each invoice in a three-ringed binder with tab dividers for each month is an excellent way to keep track of invoices sent to clients.

The information in the fees book would be completed as shown in Figure 6.2 and described below.

Justin Case, Paralegal Fees Book								FB1
Date 20**	Inv. #	Client/Re	File No.	Fees Billed Cr.	Disbursements Billed Cr.	HST Billed Cr.	Total Billed AR Dr.	
Nov.	1	2	Howes, Cliff re Small Claims Court	1	800.00		104.00	904.00
	10	3	Jones, Frank re Highway Traffic Act	2	400.00		52.00	452.00
	22	4	Zimmer, Ruth re Carpenter	4	<u>250.00</u>	<u>20.00</u>	<u>35.10</u>	<u>305.10</u>
			Totals		<u>1,450.00</u>	<u>20.00</u>	<u>191.10</u>	<u>1,661.10</u>
					(400)	✓	(240)	(120)

FIGURE 6.2 Fees book for November 20** (after posting)

Date: Record the date of the invoice.

Inv. #: Identify the invoice number. Invoices are usually numbered consecutively.

Client/Re: Write the name of the client and the name of the file. Remember that some clients may have more than one file in the office, so it is important to indicate the file to which the invoice applies.

File No.: Once the amount from the Fees Billed Cr. column is posted to the general client ledger, enter the file number in the File No. column.

Fees Billed Cr.: Enter the total amount of fees for services rendered in this column. The amount billed for fees should be posted to the client's general ledger as soon as the bill is recorded.

Disbursements Billed Cr.: Enter the amount billed for disbursements out of the general bank account in this column. Note that this number is obtained from the client general ledger sheet for the particular client when the bill is prepared. You will not need to post this amount to the client general ledger because the total disbursements were posted when the entries were made in the general disbursements journal (discussed later in the chapter). Note that any amounts paid out of the trust account do not show up on the invoice. The amounts paid out of trust are shown on a trust statement, which is attached to the invoice (as in Figure 6.1).

HST Billed Cr.: The amount billed for HST on fees and disbursements as shown on the invoice to the client must be entered in this column.

Total Billed AR (accounts receivable) Dr.: Enter the total amount billed to the client in this column. Once an invoice is sent out, the total amount of the invoice is an account receivable (which is an asset on the balance sheet). The total amount billed is entered in this column and is the sum of the three previous columns: fees, disbursements, and HST.

Posting from the Fees Book

Some notes about posting from the fees book:

1. The individual amounts in the Fees Billed Cr. column are posted to each client's general ledger account on a daily basis. The amount of HST billed would also be posted daily to the individual client's general ledger account. Posting to the client ledgers every day keeps each client's balance up to date at all times.
2. The total of the Fees Billed Cr. column is posted as a credit to the Fees Earned account (#400) in the general ledger. Once the total is posted, show the account number below the total in parentheses to show that the total was posted (see Figure 6.2).
3. Disbursements billed are not posted to the client's general ledger, because the entry was posted when the disbursement was paid out of the general bank account when the expense was incurred. For example, in Figure 6.2, the amount of \$20 paid by the firm on the Zimmer file was recorded in the client's general ledger at the time the payment was made on the client's behalf. This is indicated by placing a check mark below the total.
4. The total of the HST Billed Cr. column will be posted to the HST/GST Payable account (#240) as a credit. HST billed by the firm is remitted to the Canada Revenue Agency minus any HST paid for the period. Once the total is posted, show the account number below the total to show that the total was posted.
5. The total of the Total Billed AR Dr. column is posted to a control account in the general ledger called Accounts Receivable (#120). Once the total is posted, show the account number below the total to show that it was posted. (Note that the individual amounts in this column are not posted.)

Once the entries have been posted, the fees book would appear as shown in Figure 6.2.

Recording Payment of an Invoice

You will need to track invoices sent to clients and payments received for those invoices. Figure 6.3 illustrates the steps in this process:

1. An invoice is sent to the client.
2. The amount billed is entered in the fees book.
3. The client pays the bill to the firm. OR The firm writes a cheque on the trust account from funds held on behalf of the client in trust.
4. Payment deposited into the general bank account; deposit recorded in general receipts journal. AND Trust cheque recorded in trust bank journal.
5. General receipts journal entry posted to client's general ledger. AND Trust journal entry posted to client's trust ledger.

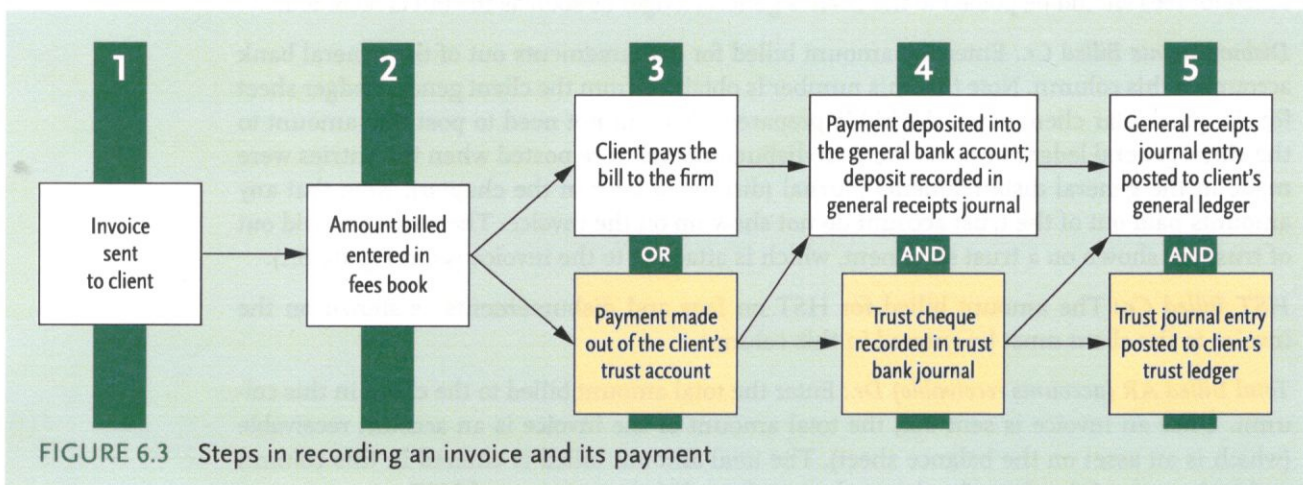


FIGURE 6.3 Steps in recording an invoice and its payment

4. Client's payment on account is deposited into the general bank account and the deposit is recorded in the general receipts journal. *AND* If payment was made out of the client's trust account, the trust cheque is recorded in the disbursement column of the trust bank journal (or in the trust disbursements journal if separate journals are kept).
5. The entry from the general receipts journal is posted to the client's general ledger account to show that payment has been received. *AND* If payment was made out of the client's trust account, the trust cheque that was entered in the trust bank journal (or trust disbursements journal) is posted to the client's trust ledger sheet.

Accounts Receivable Journal

Some firms may wish to maintain an accounts receivable journal where amounts billed to and paid by clients are tracked. Typically, accounts receivable journals will provide details of amounts billed to clients and amounts collected. They may be organized by client or by lawyer/paralegal, showing dates and amounts billed and amounts paid. The amounts receivable may be shown by amounts outstanding for more than 30 days, for 31–60 days, for 61–90 days, etc. Tracking accounts receivable in this manner helps to ensure accounts are paid in a timely fashion and that follow-up of delinquent accounts is not neglected. Most legal accounting software can automatically produce an accounts receivable journal on demand. If an accounts receivable journal is not used, a column can be added to the client general ledger to track accounts receivable and used to summarize the accounts receivable by way of a list, as shown in Figure 6.12.

Other Specialized Journals

In addition to the fees book and the accounts receivable journal, other specialized journals used for tracking transactions are the general receipts journal and the general disbursements journal. Many of the entries we made in Chapter 2 that were recorded in the general journal can be recorded in these specialized journals. In Chapter 5, we saw examples of the use of the trust bank journal, as well as the specialized trust receipts and trust disbursements journals. The trust bank is a general journal that can be used in place of the specialized trust (receipts and disbursements) journals.

The general journal, used as a book of original entry in Chapter 2, is still required for use when a particular transaction does not fit into the specialized journal and for recording adjusting and closing entries. For example, for the purposes of this course we have not created a specialized purchases journal for recording accounts payable. Accounts payable could be recorded using the general journal, or a specialized journal could be developed for the purpose of recording accounts payable.

Why Use Special Journals?

- A specialized or combination journal saves time and effort by reducing the amount of unnecessary writing.
- Special or combination journals are more efficient and capture specific information.
- Posting to ledger accounts from specialized journals is simpler and more efficient, because not every entry must be posted individually. For example, instead of posting each deposit or cheque made individually to the general bank account ledger sheet, totals are posted at the end of a period.

Recording Transactions in Specialized Journals

Figure 6.4 lists transactions made by Justin Case in November, a brief description of the journal that must be used to record the transaction, and to which ledger the transaction will be posted. The completed journals and ledgers used for posting are included at the end of the

<i>Date</i> 20**		<i>Transaction</i>	<i>Journal Used</i>	<i>Post to Ledger</i>
Nov.	1	Invoice #2 was sent to Cliff Howes re Small Claims Court for \$800 plus HST of \$104.	Fees book	Client's general ledger
	1	Rent was paid to Lucky Landlord in the amount of \$300 plus \$39 HST, general cheque #4.	General disbursements journal	General ledger
	3	A new client file was opened for <i>Ruth Zimmer v. Bud Carpenter</i> re work improperly done on her property. She is claiming damages in the amount of \$24,000 for repairs that had to be made. Open a file for Ruth Zimmer (file #4). No retainer was received.	N/A. This does not require a journal entry because no financial transaction occurred	Client's general and trust ledger sheets must be opened for client in order to record future transactions
	4	Justin paid \$268.75 plus \$34.94 HST for a total of \$303.69 to cover Law Society of Upper Canada membership dues for October, November, and December—general cheque #5.	General disbursements journal	General ledger
	5	Justin wrote a cheque to himself for \$800 for personal expenses. General cheque #6.	General disbursements journal	General ledger
	6	A letter was sent to Bud Carpenter on the Zimmer file setting out the claim. The letter was sent by Quick Courier at a cost of \$20 plus \$2.60 for HST for a total of \$22.60. The amount was paid by general cheque #7.	General disbursements journal	Client's general ledger (excluded HST amount)
	10	Fees were billed to Frank Jones re <i>Highway Traffic Act</i> for \$400 plus \$52 HST (invoice #3). There were no disbursements.	Fees book	Client's general ledger
	10	Partial payment on account was received from Cliff Howes for \$700 (trust cheque #4).	General receipts journal	Client's general ledger
	15	Justin paid the telephone bill in the amount of \$80, plus \$10.40 for HST, general cheque #8, general bank account.	General disbursements journal	General ledger
	20	Justin received the amount of \$300 from Frank Jones to be applied to invoice #3.	General receipts journal	Client's general ledger
	21	Justin sold the printer he had invested in the firm to Jane Crozier. He received \$50 for the printer.	General journal	General ledger
	22	Justin sent an interim bill to Ruth Zimmer in the amount of \$250 for fees and for disbursements of \$20 plus HST of \$35.10 for a total of \$305.10 (invoice #4). The bill was paid immediately in cash when it was handed to Ruth.	Fees book and general receipts journal	Client's general ledger
	30	Justin received a bill from the Law Society for \$1,075 plus HST of \$139.75 for a total of \$1,214.75. The first payment on account is not due until April 14 next year. He wishes to enter this as an account payable.	General journal, because we do not have an accounts payable journal	General ledger

FIGURE 6.4 Transactions made by Justin Case, November 20**

chapter (Figures 6.8 through 6.13). Trust transactions are not shown here because they were covered in Chapter 5.

General Receipts Journal

The **general receipts journal** is used to record money received by the firm and deposited in the general bank account. Pursuant to the LSUC bylaws, licensees are required to maintain a book of original entry showing all money received² by the firm and must record

- the date on which money is received,
- the method by which money is received,
- the amount of money received, and
- the person from whom money is received.

The types of entries that are entered in the general receipts journal are:

- Money received from a client for payment on account.
- Money transferred from the trust bank account to the general bank account for payment of an invoice sent to the client.
- Money transferred from the trust bank account to the general bank account to cover payment of disbursements properly made by the firm. This can be done even if the amount has not yet been billed to the client.

The headings used in a general receipts journal designed to suit the requirements of a paralegal firm are illustrated in Figure 6.5. Additional columns could be added at the discretion of the bookkeeper to capture specific information. The journal in Figure 6.5 contains the information required by the LSUC.

Justin Case, Paralegal General Receipts Journal					GRJ1	
Date 20**		Name of Account	Particulars/ Method of Payment	File No.	General Bank Dr.	Accounts Receivable Cr.
Nov.	10	Howes, Cliff re Small Claims Court	Transfer from trust chq. #4, inv. #2	1	700.00	700.00
	15	Jones, Frank re Highway Traffic Act	Transfer from trust chq. #5, inv. #3	2	300.00	300.00
	22	Zimmer, Ruth re Carpenter	Payment on inv. #4, cash	4	<u>305.10</u>	<u>305.10</u>
	30		Totals		<u>1,305.10</u>	<u>1,305.10</u>
					(100)	(120)
			Proof		Dr.	Cr.
					1,305.10	
						<u>1,305.10</u>
					<u>1,305.10</u>	<u>1,305.10</u>

FIGURE 6.5 General receipts journal for November 20** (after posting)

² Law Society of Upper Canada, bylaw 9, part V, s 18(5).

Date: The date column is used to record the date the transaction occurs.

Name of Account: The name of the client and the name of the matter for which payment is being made is shown in this column. Be sure to record sufficient information so you will know to which client ledger account the amount needs to be posted.

Particulars/Method of Payment: An explanation providing details regarding the transaction is placed here. These details should include the invoice number to which the payment is to be applied, if applicable. The Law Society of Upper Canada also requires that the method of payment be shown—for example, whether payment is made by cheque, cash, debit, money order, or other means. The client file number is entered in this column when posting is done to the client ledger.

General Bank Dr.: The total amount received and being deposited in the general bank account is recorded in this column.

Accounts Receivable Cr.: When payment is received from a client on an outstanding invoice, the amount paid on the account for fees and disbursements is recorded in the accounts receivable column. Entries recorded in this column should be posted immediately to the client's general ledger account so that client accounts are kept current.

All receipts deposited into the general bank account are recorded in the general receipts journal. The total of the General Bank Dr. column is posted to the general bank account as a debit at the end of the period. The individual amounts will be posted to the individual ledgers, either in the general ledger or in the client general ledger, wherever appropriate.

You may wonder what happened to debit and credit. Even though you are using special journals, the entries will be posted to two places. The sum of the General Bank Dr. column is posted as a debit to the general bank account ledger sheet in the general ledger. The individual amounts in the Accounts Receivable Cr. column are posted as a credit to the client general ledger accounts.

Each line recorded in the general receipts journal must be a balanced entry. The General Bank Dr. amount must be equal to the Accounts Receivable Cr. amount.

After all the entries for the month are recorded, the columns are totalled and the balance is proven by comparing the credit total to the debit total. Figure 6.5 shows the proof for the journal. Although bookkeepers do not usually show the proof at the bottom of the journal sheet, students are encouraged to show the proof on every journal.

Posting from the General Receipts Journal

Entries in the general receipts journal must be posted to the appropriate ledgers, where information is summarized.

1. *General Bank Dr.:* Individual amounts do not need to be posted. The total of this column is debited to the general ledger in the account called General Bank Account (#100). The advantage of using the general receipts journal is that the need to post each individual receipt to the general bank account is avoided.
2. *Accounts Receivable Cr.:* The individual amounts listed in this column must be posted as a debit to each client account affected by the transaction. The amount is entered in the "Payments from Client" column in the client's general ledger. The client file number is placed in the PR column in the journal to indicate that the individual amounts were posted to each client's general ledger sheet in the client general ledgers. At the end of

the month, a list of the accounts receivable is prepared listing the amount owed by each client on that date.

The column total is credited to the Accounts Receivable account (#120) in the general ledger. It is a good practice to prepare a list of accounts receivable each period by listing the client files and the balance owed as shown in the client's general ledger at the end of the month.

General Disbursements Journal

Payments made out of the general bank account can be recorded in the **general disbursements journal**. A general disbursements journal designed to suit the requirements of a paralegal firm is illustrated in Figure 6.6. Additional columns may be added at the discretion of the bookkeeper if specific information needs to be captured.

Licensees are required to maintain a book of original entry showing all money paid out³ by the firm and must record

- the date on which money is disbursed,
- the method by which money is disbursed, including the identifier of any document used to disburse money (such as a cheque number, debit transaction number, and so on),
- the amount of money disbursed, and
- the person to whom money is paid.

The information in the general disbursements journal would be completed as shown in Figure 6.6.

Justin Case, Paralegal General Disbursements Journal								GDJ1
Date 20**	Method/ Ref. #	Paid To/Particulars Client/RE	File No./ PR	General Ledger Acct. Dr.	Client's General Ledger Dr.	HST Paid Dr.	General Bank Acct. Cr.	
Nov. 1	chq. #4	Lucky Landlord, Rent Exp.	538	300.00		39.00	339.00	
4	chq. #5	LSUC re Dues Oct. – Dec.	534	268.75		34.94	303.69	
5	chq. #6	J. Case, Drawings	350	800.00			800.00	
6	chq. #7	Quick Courier, Zimmer re Courier Exp.	4		20.00	2.60	22.60	
15	chq. #8	Unitel re Telephone Exp.	565	80.00		10.40	90.40	
30		Totals		1,448.75	20.00	86.94	1,555.69	
						(240)	(100)	
		Proof		Dr.	Cr.			
				1,448.75	1,555.69			
				20.00				
				86.94				
				1,555.69	1,555.69			

FIGURE 6.6 General disbursements journal for November 20** (after posting)

³ Law Society of Upper Canada, bylaw 9, part V, s 18(6).

Date: The date column is used to record the date the transaction occurs.

Method/Ref. #: Indicate how the payment was made by showing the cheque number, the debit reference, or other relevant information.

Paid To/Particulars: Record the name of the payee (person or company paid) and what the payment was for (e.g., telephone expense, salaries, filing court documents). If you are recording a disbursement made on behalf of a client, record the name of the payee, the file name, and the reason the funds were paid (e.g., Quick Courier, Zimmer, re Courier Exp.). You may use more than one line to make the entry.

General Ledger Acct. Dr.: Record the amount to be debited to the general ledger account for the expense incurred. For example, in Figure 6.6, \$90.40 was paid to Unitel for telephone expense (phone \$80 plus \$10.40 HST), so \$80 was recorded in this column. This amount should be posted to the general ledger account called Telephone Expense (#565). You will put the \$10.40 amount paid for HST in the HST Paid Dr. column in the general ledger.

Client's General Ledger Dr.: When the firm pays expenses on behalf of a client from the general bank account, the amount paid will be entered in this column and it will be posted to the client's general ledger sheet. The amount paid out for the client's file will be charged to the client at the time of billing.

HST Paid Dr.: The amount of HST paid on the transaction should be entered in this column. Once the firm starts to remit HST, the amount collected and the amounts paid out will be deducted from one another and any payment owing will have to be remitted to the Canada Revenue Agency. HST will be dealt with more thoroughly in Chapter 8.

General Bank Acct. Cr.: Enter the total amount of the cheque written in this column.

Posting from the General Disbursements Journal

Entries in the general disbursements journal must be posted to the appropriate ledgers, where information is summarized.

1. *General Ledger Acct. Dr.:* The amounts in this column must be posted to the individual accounts affected. The number in the preceding PR column indicates the account to which the entry was posted.
2. *Client's General Ledger Dr.:* This amount paid out on behalf of a client is recorded in the client's general ledger account. The number in the PR column corresponds to the client file number in the client's general ledger.
3. *HST Paid Dr.:* The total amount is posted to the HST/GST Payable account (this is a liability account (#240), but note that the entry is a debit, which means it is a decrease in the liability for HST). The HST/GST Payable account number (240) is entered at the bottom of the column to show that the amount was posted.
4. *General Bank Acct. Cr.:* The total for this column is posted to the general bank account in the general ledger and the General Bank Account number (100) is entered at the bottom of the column to show that the amount was posted.

General Journal Entries

When a particular transaction does not fit into one of the special journals used by the firm, the entry can be made using the general journal. Each line is then posted to the appropriate ledger account. Figure 6.8 at the end of this chapter shows examples of such general journal entries.

Posting from Special Journals

We saw in Chapter 2 how a general journal is used to record transactions for a business and how the transactions are then posted to the general ledger. There are several different types of ledgers that you will encounter when working in a legal practice.

- *General ledger:* This ledger records receipts and disbursements for the firm that are used for the purposes of preparing the financial statements—the income statement, statement of owner’s equity, and balance sheet. The general ledger will have a ledger sheet for each of the accounts listed in the chart of accounts. The entries made in the general journal are posted to the general ledger.
- *Client’s general ledger:* This ledger contains a separate sheet for each client file. All the payments received from a client for payment on invoices, payments made from the firm’s general bank account on behalf of a client, and expense recovery items, such as charges for photocopies and faxes charged to a client, are recorded in the client’s general ledger. A running total of the balance is calculated.
- *Client’s trust ledger:* This ledger contains a separate sheet for each client file. All the receipts and payments from the trust bank account related to a client file will have to be posted to the client’s trust ledger. It is important to keep a running total of the balance in the client’s trust ledger account so that the balance held for each client is always up to date. The entries made in the trust bank journal are posted to the individual client trust ledger sheet for each client. The total receipts and payments from the trust bank journal are posted to the account in the general ledger. Because the trust bank journal and trust ledgers were covered in Chapter 5, we have not included them again in this chapter.
- *Combined client’s general and trust ledger:* It is sometimes convenient to combine the client’s general ledger sheets and the client’s trust ledger sheets for each file on one page. In that way, you need look at only one ledger sheet to view the status of a client’s account. The information you will find in a ledger that combines both the client general ledger and client trust ledger transactions will include the following items:
 - All transactions that were posted from the trust bank journal showing all receipts and payments made in trust on behalf of a client
 - All transactions that were posted from the general journal to the client ledger accounts for individual clients
 - All invoices recorded in the fees book that have been billed to the client
 - All payments received from a client and the balance owing on account, if any

Analysis of Each Transaction in November

Figure 6.7 shows an analysis of all the transactions referred to above. The completed journal and ledgers are shown at the end of this chapter (Figures 6.8 through 6.13).

Nov. 1—Invoice #2 was sent to Cliff Howes re Small Claims Court for \$800 plus HST of \$104.		
1.	Which journal is to be used?	• The amount of fees charged on an invoice must be recorded in the fees book in the column Fees Billed Cr.
2.	How will this entry be posted?	• The amounts \$800 and \$104 are entered in the client's general ledger for Cliff Howes under the appropriate columns for fees and HST.
Nov. 1—Rent was paid to Lucky Landlord in the amount of \$300 plus \$39 HST, general cheque #4.		
3.	Which journal is to be used?	<ul style="list-style-type: none"> • This is a disbursement out of the general bank account, so the total amount of the entry must be placed in the general disbursements journal under the General Bank Acct. Cr. column. • Record the amount for rent (\$300) in the General Ledger Acct. Dr. column. • Record the amount of HST in the HST Paid Dr. column.
4.	How will this entry be posted?	<ul style="list-style-type: none"> • Post the amount of \$300 for rent expense to the general ledger account. • Do not post the individual amounts for the other two columns because the totals will be posted at the end of the month.
Nov. 3—A new client file was opened for <i>Ruth Zimmer v. Bud Carpenter</i> re work improperly done on her property. She is claiming damages in the amount of \$24,000 for repairs that had to be made. Open a file for Ruth Zimmer (file #4). No retainer was received.		
5.	Which journal is to be used?	• N/A. Opening of a file does not require a journal entry.
6.	How will this entry be posted?	• You will need to open a client ledger sheet for Zimmer in the client's general and trust ledgers for the purpose of making entries in the future.
Nov. 4—Justin Case paid \$268.75 plus \$34.94 HST for a total of \$303.69 to cover LSUC membership dues for October, November, and December—general cheque #5.		
7.	Which journal is to be used?	<ul style="list-style-type: none"> • This is a payment out of the general bank account, so record the transaction in the general disbursements journal: – General Ledger Acct. Dr. column: \$268.75 – HST Paid column: \$34.94 – General Bank Acct. Cr. column: \$303.69
8.	How will this entry be posted?	• Post the expense of \$268.75 for Law Society membership dues to the general ledger account called Membership/Professional Dues.
Nov. 5—Justin wrote a cheque to himself for \$800 for personal expenses. General cheque #6.		
9.	Which journal is to be used?	<ul style="list-style-type: none"> • This is a payment out of the general bank account, so record the transaction in the general disbursements journal: – General Ledger Acct. Dr. column: \$800 – General Bank Acct. Cr. column: \$800
10.	How will this entry be posted?	• Post the withdrawal of \$800 to the general ledger account called Justin Case, Drawings.

Nov. 6—A letter was sent to Bud Carpenter on the Zimmer file setting out the claim. The letter was sent by Quick Courier at a cost of \$20 plus \$2.60 for HST for a total of \$22.60. The amount was paid by general cheque #7.		
11.	Which journal is to be used?	<ul style="list-style-type: none"> This is a disbursement out of the general bank account, so the total amount of the entry should be placed in the general disbursements journal under the General Bank Acct. Cr. column. Also enter the amount of \$20 in the Client's General Ledger Dr. column of the general disbursements journal.
12.	How will this entry be posted?	<ul style="list-style-type: none"> Post the amount from the Client's General Ledger Dr. column to the ledger sheet for Zimmer. Do not post the amount of \$2.60 for HST because this will be included in the total posted to the general ledger at the end of the month.
Nov. 10—Fees were billed to Frank Jones re <i>Highway Traffic Act</i> for \$400 plus HST of \$52 (invoice #3).		
13.	Which journal is to be used?	<ul style="list-style-type: none"> The \$400 amount of fees charged is to be recorded in the fees book in the column Fees Billed Cr.
14.	How will this entry be posted?	<ul style="list-style-type: none"> The amount of \$400 is posted to the client's general ledger for Frank Jones under the column Fees. HST will be posted at the end of the month to the general ledger account.
Nov. 10—Partial payment on account was received by transferring funds from the trust account for Cliff Howes. There was \$700 in the Cliff Howes trust account, so Justin wrote cheque #4 from trust for \$700, then deposited the cheque in his general bank account. Record the receipt of payment in this transaction. (Trust entries not included here.)		
15.	Which journal is to be used?	<ul style="list-style-type: none"> The deposit of \$700 in the firm's general bank account is recorded in the general receipts journal in the General Bank Dr. column and also in the Accounts Receivable Cr. column.
16.	How will the entry be posted?	<ul style="list-style-type: none"> The amount received from the client will be posted to the client's general ledger to show that the client paid \$700 on account.
Nov. 15—Justin paid the telephone bill in the amount of \$80, plus \$10.40 for HST, general cheque #8, general bank account.		
17.	Which journal is to be used?	<ul style="list-style-type: none"> Record the amount of \$90.40 for telephone expense to the general disbursements journal in the column General Bank Acct. Cr. Enter the amount of \$80 in the General Ledger Acct. Dr. column and the \$10.40 in the HST Paid Dr. column.
18.	How will this entry be posted?	<ul style="list-style-type: none"> Post the amount of \$80 to the general ledger on the sheet for telephone expense.
Nov. 20—Justin transferred the amount of \$300 held in trust for Frank Jones by writing cheque #5 on the trust account. He then deposited the cheque in the general bank account and applied payment to invoice #3. Record receipt of the payment of \$300 in the general bank account.		
19.	Which journal is to be used?	<ul style="list-style-type: none"> The deposit of \$300 in the firm's general bank account is recorded in the general receipts journal in the General Bank Dr. column and also in the Accounts Receivable Cr. column.
20.	How will this entry be posted?	<ul style="list-style-type: none"> The amount received from the client will be posted to the client's general ledger to show that the client paid \$300 on account.
Nov. 21—Justin sold the printer he had invested in the firm to Jane Crozier. He received \$50 for the printer.		
21.	Which journal is to be used?	<ul style="list-style-type: none"> Record the receipt from the sale of the printer as a debit in the general journal. Record the decrease in the asset computer equipment on the next line in the general journal.
22.	How will this entry be posted?	<ul style="list-style-type: none"> Post the entries to the general ledger as a debit to the General Bank Account and as a credit to the Computer Equipment account.

Nov. 22—Justin presented an interim bill to Ruth Zimmer in the amount of \$250 for fees and for disbursements of \$20 plus HST of \$35.10 for a total of \$305.10 (invoice #4). Ruth Zimmer immediately paid the bill in cash when the bill was presented to her.		
23.	Which journal is to be used?	<ul style="list-style-type: none"> Record the fees billed in the fees book under the Fees Billed Cr. column. Record the \$20 billed under the Disbursements Billed column and the HST under the HST Billed column. Show the total amount of the bill (\$305.10) in the Total Billed AR Dr. column.
24.	How will this entry be posted?	Post the amount billed (\$250) to the client's general ledger for Ruth Zimmer and post the HST of \$35.10. You do not need to post the amount of \$20 because it was already entered on November 6.
25.	Which journal is to be used?	You have received payment in cash from Ruth Zimmer. Record the amount received in the general receipts journal under the General Bank Dr. column and also under the Accounts Receivable Cr. column.
26.	How will this entry be posted?	Post the amount of \$305.10 received to the client's general ledger for Zimmer to show that she has paid the fee.
Nov. 30—Justin received a bill from the Law Society of Upper Canada for \$1,075 plus HST of \$139.75 for a total of \$1,214.75. The first payment on account is not due until April 14 next year.		
27.	Which journal is to be used?	<ul style="list-style-type: none"> This entry should be made using the general journal. It is a compound entry. Record the LSUC dues of \$1,075 as an expense (debit) on the first line: Membership/Professional Dues. Record the HST of \$139.75 as a debit on the second line, and record the account payable of \$1,214.75 as a credit on the third line. Enter the explanation on the fourth line.
28.	How will the entry be posted?	Post each entry to the accounts in the general ledger.

FIGURE 6.7 Analysis of all transactions for Justin Case, November 20**

Completed Journal and Ledgers to November 30

Justin Case, Paralegal General Journal					GJ3
Date 20**	Description	PR	Debit	Credit	
Nov. 21	General Bank Account	100	50.00		
	Computer Equipment	155		50.00	
	<i>To record funds received on sale of printer</i>				
30	Membership/Professional Dues	534	1,075.00		
	HST/GST Payable	240	139.75		
	Accounts Payable	200		1,214.75	
	<i>To record professional dues payable</i>				
	Totals		<u>1,264.75</u>	<u>1,264.75</u>	

FIGURE 6.8 Justin Case, general journal entries for November 20**

**Justin Case, Paralegal
General Ledgers**

General Bank Account						Account No. 100	
<i>Date</i> 20**		<i>Explanation</i>	<i>PR</i>	<i>Debit</i>	<i>Credit</i>	<i>Dr./Cr.</i>	<i>Balance</i>
Oct.	1		GJ1	1,000.00		Dr.	1,000.00
	1		GJ1	4,000.00		Dr.	5,000.00
	5		GJ2		300.00	Dr.	4,700.00
	5		GJ2		2,000.00	Dr.	2,700.00
	6		GJ2	500.00		Dr.	3,200.00
	15		GJ2		100.00	Dr.	3,100.00
	20		GJ2	3,000.00		Dr.	6,100.00
	30		GJ2		500.00	Dr.	5,600.00
Nov.	21	Sale of Printer to Crozier	GJ3	50.00		Dr.	5,650.00
	30	Totals from General Receipts Journal	GRJ1	1,305.10		Dr.	6,955.10
	30	Totals from General Disb. Journal	GDJ1		1,555.69	Dr.	5,399.41

Trust Bank Account						Account No. 115	
<i>Date</i> 20**		<i>Explanation</i>	<i>PR</i>	<i>Debit</i>	<i>Credit</i>	<i>Dr./Cr.</i>	<i>Balance</i>
Oct.	30	Trust Totals for October	TJ1	4,100.00	2,820.00	Dr.	1,280.00
Nov.	30	Trust Totals for November	TJ2		1,000.00	Dr.	280.00

Accounts Receivable						Account No. 120	
<i>Date</i> 20**		<i>Explanation</i>	<i>PR</i>	<i>Debit</i>	<i>Credit</i>	<i>Dr./Cr.</i>	<i>Balance</i>
Nov.	30	Total A/R—November	FB1	1,661.10		Dr.	1,661.10
Nov.	30	Totals for November	GRJ1		1,305.10	Dr.	356.00

Computer Equipment (Hardware)						Account No. 155	
<i>Date</i> 20**		<i>Explanation</i>	<i>PR</i>	<i>Debit</i>	<i>Credit</i>	<i>Dr./Cr.</i>	<i>Balance</i>
Oct.	1		GJ1	900.00		Dr.	900.00
Nov.	21	Sale of Printer to Crozier	GJ3		50.00	Dr.	850.00

Office Furniture and Equipment						Account No. 158	
Date 20**		Explanation	PR	Debit	Credit	Dr./Cr.	Balance
Oct.	1		GJ1	150.00		Dr.	150.00
	5		GJ2	2,000.00		Dr.	2,150.00
	15		GJ2	100.00		Dr.	2,250.00

Accounts Payable/General Liabilities						Account No. 200	
Date 20**		Explanation	PR	Debit	Credit	Dr./Cr.	Balance
Oct.	10	Legal Supplies Inc.	GJ2		580.00	Cr.	580.00
Nov.	30	Law Society Dues	GJ3		1,214.75	Cr.	1,794.75

Personal Loan						Account No. 205	
Date 20**		Explanation	PR	Debit	Credit	Dr./Cr.	Balance
Oct.	1	J. Case	GJ1		4,000.00	Cr.	4,000.00

Trust Funds Owed						Account No. 215	
Date 20**		Explanation	PR	Debit	Credit	Dr./Cr.	Balance
Oct.	31	Trust Funds Owed to Clients	TJ1	4,100.00	2,820.00	Cr.	1,280.00
Nov.	30	Trust Funds Owed November 30	TJ2		1,000.00	Cr.	280.00

HST/GST Payable						Account No. 240	
Date 20**		Explanation	PR	Debit	Credit	Dr./Cr.	Balance
Nov.	31	Total Billed to Clients	FB1		191.10	Cr.	191.10
Nov.	30	Total Disbursed for November	GDJ1	86.94		Cr.	104.16
	30	HST on Professional Dues	GJ3	139.75		Dr.	35.59

Justin Case, Capital						Account No. 300	
Date 20**		Explanation	PR	Debit	Credit	Dr./Cr.	Balance
Oct.	1		GJ1		1,000.00	Cr.	1,000.00
	1		GJ1		900.00	Cr.	1,900.00
	1		GJ1		150.00	Cr.	2,050.00
	5		GJ2		500.00	Cr.	2,550.00

Justin Case, Drawings						Account No. 350	
Date 20**		Explanation	PR	Debit	Credit	Dr./Cr.	Balance
Nov.	5	Withdrawal of funds for personal expenses	GJ1	800.00		Dr.	800.00

Fees Earned						Account No. 400	
Date 20**		Explanation	PR	Debit	Credit	Dr./Cr.	Balance
Oct.	20		GJ2		3,000.00	Cr.	3,000.00
Nov.	30	Total Fees Billed—November	FB1		1,450.00	Cr.	4,450.00

Membership/Professional Dues						Account No. 534	
Date 20**		Explanation	PR	Debit	Credit	Dr./Cr.	Balance
Nov.	4	Law Society Dues	GJ1	268.75		Dr.	268.75
	30	Law Society Dues—next year	GJ3	1,075.00		Dr.	1,343.75

Office Supplies/General Expense						Account No. 535	
Date 20**		Explanation	PR	Debit	Credit	Dr./Cr.	Balance
Oct.	10		GJ2	580.00		Dr.	580.00

Rent Expense						Account No. 538	
Date 20**		Explanation	PR	Debit	Credit	Dr./Cr.	Balance
Oct.	30		GJ2	500.00		Dr.	500.00
Nov.	1		GJ1	300.00		Dr.	800.00

Telephone Expense						Account No. 565	
Date 20**		Explanation	PR	Debit	Credit	Dr./Cr.	Balance
Oct.	5		GJ2	300.00		Dr.	300.00
Nov.	15	Unitel	GJ1	80.00		Dr.	380.00

FIGURE 6.9 Justin Case, general ledgers as of November 20**

Justin Case, Paralegal
Client General Ledger and Client Trust Ledger

Account: HOWES, Cliff re Small Claims Court								File No. 001		
			Client General Ledger				Client Trust Ledger			
Date 20**		Received From/Paid To Explanation	Disburse- ments Expenses Paid	HST	Fees	Payments from Client	Balance Owed	Disburse- ments (Dr.)	Receipts (Cr.)	Balance in Trust
Oct.	1	Retainer							1,000.00	1,000.00
	3	Deliveries Inc.						20.00		980.00
	15	James Settlor, Settlement							2,500.00	3,480.00
	15	Cliff Howes, Settlement Funds						2,500.00		980.00
	30	Cliff Howes, Transfer to File No. 3						280.00		700.00
Nov.	1	Invoice #2		104.00	800.00		904.00			
	10	Justin Case, on Account						700.00		0.00
	10	Transfer from Trust				700.00	204.00			

Account: JONES, Frank re Highway Traffic Act								File No. 002		
			Client General Ledger				Client Trust Ledger			
Date 20**		Received From/Paid To Explanation	Disburse- ments Expenses Paid	HST	Fees	Payments from Client	Balance Owed	Disburse- ments (Dr.)	Receipts (Cr.)	Balance in Trust
Nov.	1	Retainer							600.00	600.00
	8	Minister of Finance, Fine						300.00		300.00
	10	Fees Billed, invoice #3		52.00	400.00		452.00			
	15	Justin Case, on Account							300.00	0.00
	20	Justin Case, Payment on invoice #3				300.00	152.00			

Account: HOWES, Larry re Shoplifting								File No. 003		
		Client General Ledger					Client Trust Ledger			
Date 20**		Received From/Paid To Explanation	Disburse- ments Expenses Paid	HST	Fees	Payments from Client	Balance Owed	Disburse- ments (Dr.)	Receipts (Cr.)	Balance in Trust
Oct.	30	Transfer from Cliff Howes, File No. 1							280.00	280.00

Account: ZIMMER, Ruth re Ruth Zimmer v. Bud Carpenter								File No. 004		
			Client General Ledger				Client Trust Ledger			
Date 20**		Received From/Paid To Explanation	Disburse- ments Expenses Paid	HST	Fees	Payments from Client	Balance Owed	Disburse- ments (Dr.)	Receipts (Cr.)	Balance in Trust
Nov.	6	Quick Courier	20.00				20.00			
	22	Fees Billed, invoice #4		35.10	250.00		305.10			
	22	Zimmer, on Account				305.10	0.00			

FIGURE 6.10 Justin Case, client general ledger and client trust ledger for October and November 20**

Justin Case, Paralegal Trial Balance November 30, 20**			
#	Account	Debit	Credit
100	General Bank Account	\$5,399.41	
115	Trust Bank Account	280.00	
120	Accounts Receivable	356.00	
155	Computer Equipment (Hardware)	850.00	
158	Office Furniture and Equipment	2,250.00	
200	Accounts Payable		\$1,794.75
205	Personal Loan		4,000.00
215	Trust Funds Owed		280.00
240	HST/GST Payable	35.59	
300	Justin Case, Capital		2,550.00
350	Justin Case, Drawings	800.00	
400	Fees Earned		4,450.00
534	Membership/Professional Dues	1,343.75	
535	Office Supplies/General Expense	580.00	
538	Rent Expense	800.00	
565	Telephone Expense	380.00	
		<u>\$13,074.75</u>	<u>\$13,074.75</u>

FIGURE 6.11 Justin Case, trial balance, November 30, 20**

Justin Case, Paralegal List of Accounts Receivable November 30, 20**		
<i>File No.</i>	<i>Name of Client/RE</i>	<i>Balance Owed</i>
1	HOWES, Cliff re Small Claims Court	\$204.00
2	JONES, Frank re Highway Traffic Act	<u>152.00</u>
	Total Owed by Clients	<u>\$356.00</u>

FIGURE 6.12 Justin Case, list of accounts receivable

Justin Case, Paralegal List of Balances Owed to Clients November 30, 20**		
<i>File No.</i>	<i>Account</i>	<i>Balance Owed</i>
1	HOWES, Cliff re Small Claims Court	\$0.00
2	JONES, Frank re Highway Traffic Act	0.00
3	HOWES, Larry re Shoplifting	<u>280.00</u>
	Total Owed to Clients	<u>\$280.00</u>

FIGURE 6.13 Justin Case, client trust listing at November 30, 20**

Supporting Documents

TAX TIP

The Canada Revenue Agency (CRA) requires that you keep organized accounting and financial documents that summarize the information from your supporting documents. Examples of such documents include ledgers, journals, and financial statements, statements of accounts, income tax returns, and GST/HST tax credit returns.

Documents you must keep that support transactions identified in your records include invoices for fees, purchase receipts, vouchers, contracts (such as a lease), bank deposit slips, cancelled cheques, credit card receipts, logbooks, emails, and correspondence supporting transactions.

These records can be kept in English or French.

CHAPTER SUMMARY

Learning how to use special journals can seem complicated, but ultimately they simplify your record-keeping. Special journals do this by grouping certain transactions in one column so that you do not need to post as many entries. This saves time and avoids errors. Keeping the client general ledger and the client trust ledger on the same page will help you to see the flow of transactions between the two ledgers.

Technology is a useful tool for using special journals because the software usually records and posts the information automatically to the correct place. The manual approach used in this chapter helps you to understand how the information flows through a computerized system. If you do not understand how the information is processed manually, you will have difficulty understanding the information created by a computerized system. Further, some paralegals may not be able to afford specialized computer bookkeeping software when they start out—so it is good to know how books must be set up and maintained.

KEY TERMS

billable work, 121
 expense recovery, 121
 fees book, 123
 fees journal, 120
 general disbursements journal, 129
 general receipts journal, 127
 non-billable work, 121
 special journals, 120

FURTHER READING

Canvas Network, Intro to Accounting, “Study: Subsidiary Ledgers and Special Journals,” online: <<https://learn.canvas.net/courses/37/pages/study-subsidiary-ledgers-and-special-journals>>. For additional information, select “Special Journals and Subsidiary Ledgers” under Additional Resources to link to a video on an external site.

Lawyers’ Professional Indemnity Company, *Managing the Finances of Your Practice*, online: <http://www.practicepro.ca/practice/pdf/Managing_Finances_booklet.pdf>. See sections related to established practices (fee agreements, docketing, billing).

LexisNexis Canada, PCLaw billing and accounting software FAQ, online: <http://law.lexisnexis.com/literature/back_office_faqs.pdf>. See sections related to billing, client disbursements, and time entries.

PUT IT INTO PRACTICE

Case Example: Special Journals

Ann Litigate has prepared the following invoices dated May 30, 20**:

Client Matter #21-xx:	\$1,250.00 (Total Fees, Disbursements, and HST)
Fees Billed:	\$1,000.00
Disbursement Recoverable:	\$120.00, Court Filing Fees (no HST)
HST Billed:	\$130.00

Client Matter #08-xx:	\$583.20 (Total Fees, Disbursements, and HST)
Fees Billed:	\$500.00
Disbursement Recoverable:	\$16.10, Courier Fees (Speedy Courier)
HST Billed:	\$67.10

Client Matter #11-xx:	\$1,672.40 (Total Fees, Disbursements, and HST)
Fees Billed:	\$1,440.00
Disbursement Recoverable:	\$40.00, Travel Expense (Mileage)
HST Billed:	\$192.40

Client Matter #29-xx:	\$864.45 (Total Fees, Disbursements, and HST)
Fees Billed:	\$750.00
Disbursement Recoverable:	\$15.00, Photocopy Charges (Kwick Print)
HST Billed:	\$99.45

Answer the following questions and list the steps that Ann will need to take for these transactions. Identify the appropriate special journals and ledgers.

1. How can Ann keep track of the balance owing by her clients once the invoices are issued?
2. When Ann receives payment on an invoice, how can she keep track of the payments made by her clients?
3. Suppose Ann paid \$100 in disbursements or expenses on behalf of her client and wishes to recover the cost from the client.
 - a. What entries should Ann make when the expense is incurred?
 - b. What entries should Ann make when the expenses paid by Ann are not yet paid by the client?
 - c. What entries should Ann make when the client subsequently pays the expense?

REVIEW QUESTIONS

True or False

- _____ 1. A fees book includes only information about legal fees charged to clients.
- _____ 2. An accounts receivable journal is an example of a special journal.
- _____ 3. The general disbursements journal is used only for disbursements made on behalf of clients, which are recoverable by the paralegal.
- _____ 4. If a credit is given to a client (as a result of overpayment or as a result of holding unused trust funds), the transaction should be recorded on both the appropriate client trust ledger and the general ledger.
- _____ 5. Every receipt shown on the general receipts journal will have a corresponding entry on the general disbursements journal for the same accounting period.
- _____ 6. An invoice should be created each and every time disbursements are billed to a client.
- _____ 7. Entries from a special journal do not need to be posted to the general ledger.
- _____ 8. The Accounts Receivable account found on the general ledger can be further subdivided by clients.
- _____ 9. The general journal replaces the need for special journals.
- _____ 10. The "control account" and the "trial balance" are accounting terms that can be used interchangeably.

Short Answer

1. Which of the following entries would be recorded in the general receipts journal?
 - a. The firm was paid \$300 on account by a client.
 - b. The firm received a credit of \$50 from the landlord for rent.
 - c. The firm paid photocopies expense to be recovered from a client.
 - d. The firm wrote a cheque to itself from the trust account to pay for an invoice sent to the client.
 - e. The firm paid money out of trust to cover filing fees of \$150 paid the previous week from the firm's general bank account and deposited the amount in its general bank account.
2. What is the purpose of the general disbursements journal?
3. What is the benefit of maintaining a fees book?
4. Which columns in the fees book are posted as a total, and to which account are they posted?
5. Which individual items in the fees book get posted to the client's general ledger?

PRACTICE EXERCISES

Practice Exercise 6.1

Prepare the appropriate special journals and client general ledgers based on the following transactions for Ann Litigate in the operation of her paralegal practice:

1. July 1: Paid rent expense (invoice #1001 payable to Magnum Office Managers), \$1,200, general chq. #217, A. Litigate
2. July 7: Paid courier invoice account (invoice #A0-111 payable to Fast Courier), \$120 plus HST for a total of \$135.60 (\$60 plus HST of \$7.80 recoverable from client, L. Forte), chq. #218, A. Litigate
3. July 9: Billed L. Forte for legal services (invoice #400), \$500 disbursement plus \$67.80 HST for a total of \$641.61
4. July 9: Paid court filing fees, \$240 (\$120 recoverable from client L. Bailey; \$120 recoverable from R. Smythe) (no HST payable on court fees), chq. #219, A. Litigate
5. July 15: Billed L. Bailey for legal services (invoice #401), \$1,000 disbursement plus \$120 HST (billed on fees only) for a total of \$1,250
6. July 15: Paid professional liability insurance (payable to ABC Insurance), \$167, chq. #220, A. Litigate
7. July 23: Received payment for invoice #400 (L. Forte), \$641.61 (\$500 disbursement plus \$67.80 HST)
8. July 30: Paid salary to assistant, \$2,000, general chq. #221
9. July 30: Received payment for invoice #401 (L. Bailey), \$1,000 disbursement plus \$120 HST for a total of \$1,250
10. July 31: Capital investment (from Ann to the firm), \$2,500, chq. #24, A. Litigate (personal account)
11. July 31: Billed client (R. Smythe) on invoice #402, \$120 (no HST payable) for a total of \$120
 - a. Prepare the entries for the above transactions by completing the appropriate journals: fees book, general journal, general receipts journal, general disbursements journal. Post the individual entries that need to be posted to the client ledgers and the general ledgers.
 - b. Post the totals for the journals that need to be posted to the appropriate general ledger accounts.
 - c. Prepare the trial balance.

THIN

Also prepare a list of the total accounts receivable owed to Ann for the month.

Ann Litigate, Paralegal General Journal					GJ3
Date 20**		Description	PR	Debit	Credit

PRACTICE
EXCEL

Ann Litigate, Paralegal Fees Book								FB1
Date 20**	Inv. #	Client/Re	Ref.	Fees Billed	Disbursements Billed	HST Billed Cr.	Total Billed AR Dr.	

Ann Litigate, Paralegal General Receipts Journal						GRJ1
Date 20**		Name of Account	Particulars/ Method of Payment	PR	General Bank Dr.	Accounts Receivable Cr.

PRACTICE

EXCEL

[illegible]

PRACTICE**EXCEL**

Ann Litigate, Paralegal
Client General Ledgers and Client Trust Ledger

Account: FORTE, L.							File No. 04		
		Client General Ledger					Client Trust Ledger		
Date 20**	Received From/ Paid To Explanation	Disburse- ments Expenses Paid	HST	Fees	Payments from Client	Balance Owed	Disburse- ments (Dr.)	Receipts (Cr.)	Balance in Trust

Account: BAILEY, L.							File No. 05		
		Client General Ledger					Client Trust Ledger		
Date 20**	Received From/ Paid To Explanation	Disburse- ments Expenses Paid	HST	Fees	Payments from Client	Balance Owed	Disburse- ments (Dr.)	Receipts (Cr.)	Balance in Trust

Account: SMYTHE, R.							File No. 06		
		Client General Ledger					Client Trust Ledger		
Date 20**	Received From/ Paid To Explanation	Disburse- ments Expenses Paid	HST	Fees	Payments from Client	Balance Owed	Disburse- ments (Dr.)	Receipts (Cr.)	Balance in Trust

PRACTICE**EXCEL**
Ann Litigate, Paralegal
General Ledgers as of July 31
General Bank Account**Account No. 100**

Date 20**	Explanation	PR	Debit	Credit	Dr./Cr.	Balance

Accounts Receivable**Account No. 120**

Date 20**	Explanation	PR	Debit	Credit	Dr./Cr.	Balance

Office Furniture and Equipment**Account No. 158**

Date 20**	Explanation	PR	Debit	Credit	Dr./Cr.	Balance

Accounts Payable/General Liabilities**Account No. 200**

Date 20**	Explanation	PR	Debit	Credit	Dr./Cr.	Balance

HST Payable**Account No. 240**

Date 20**	Explanation	PR	Debit	Credit	Dr./Cr.	Balance

Ann Litigate, Capital**Account No. 300**

Date 20**	Explanation	PR	Debit	Credit	Dr./Cr.	Balance

PRACTICE
EXCEL

Ann Litigate, Drawings						Account No. 350	
Date 20**	Explanation	PR	Debit	Credit	Dr./Cr.	Balance	

Fees Earned						Account No. 400	
Date 20**	Explanation	PR	Debit	Credit	Dr./Cr.	Balance	

Salaries Expense						Account No. 511	
Date 20**	Explanation	PR	Debit	Credit	Dr./Cr.	Balance	

Insurance—Professional Liability						Account No. 527	
Date 20**	Explanation	PR	Debit	Credit	Dr./Cr.	Balance	

Office Supplies/General Expense						Account No. 535	
Date 20**	Explanation	PR	Debit	Credit	Dr./Cr.	Balance	

Rent Expense						Account No. 538	
Date 20**	Explanation	PR	Debit	Credit	Dr./Cr.	Balance	

Delivery Expense						Account No. 550	
Date 20**	Explanation	PR	Debit	Credit	Dr./Cr.	Balance	

PRACTICE

EXCEL

**Ann Litigate, Paralegal
Trial Balance
November 30, 20****

[illegible]

Practice Exercise 6.2

Complete the invoices provided based on the following time docket entries prepared by Ann Litigate.

NOTE

To calculate billable time, divide X minutes billed by 60 (minutes) and round up to the nearest 0.10.

Time Docket Entries				
A. Johnston—Matter No. 01 (Small Claims Matter— <i>Johnston v. Delaney</i>)				
Date 20**	Description	Start Time	End Time	Total Time
June 18	Initial consultation with client to discuss options for small claim matter	10:30 a.m.	11:00 a.m.	0.50 hours (30 min/60 min)
June 20	Conduct research on issues related to trespass	3:00 p.m.	4:15 p.m.	1.30 hours (75 min/60 min)
June 22	Prepare initial draft of statement of claim and email to client for review	11:20 a.m.	12:50 p.m.	1.50 hours (90 min/60 min)
June 28	Follow-up meeting with client to discuss draft statement of claim for the purpose of finalizing same statement of claim based on client comments	10:00 a.m.	10:45 a.m.	0.80 hours (45 min/60 min)

Time Docket Entries				
J. Palmer—Matter No. 06 (Provincial Offences Matter)				
Date 20**	Description	Start Time	End Time	Total Time
May 15	Phone call and initial consultation with J. Palmer	1:55 p.m.	2:15 p.m.	0.40 hours (20 min/60 min)
May 20	Meeting with client to discuss upcoming court date	5:30 p.m.	6:00 p.m.	0.50 hours (30 min/60 min)
June 5	Review disclosure and conduct research (section 130, <i>Highway Traffic Act</i>) in preparation for upcoming court date	10:15 a.m.	11:00 a.m.	0.80 hours (45 min/60 min)
June 12	Attend at Provincial Offences Court and negotiate a settlement with the Crown	9:00 a.m.	10:15 a.m.	1.30 hours (75 min/60 min)

Invoice for A. Johnston

Ann Litigate Paralegal Services
11 Any Street, Ottawa, Ontario K1A 0B0

Invoice #1015

June 30, 20**

Mr. Anthony Johnston
123 Avenue Road
Ottawa, Ontario K1A 0C0

FOR SERVICES RENDERED RE SMALL CLAIMS MATTER:

Date	Hours Billed	Description	Billable Rate (/h)	Amount Billed
FEES:			Subtotal	
			HST (13%)	

DISBURSEMENTS

Quantity	Description	Unit Price	Amount
45 pages	Photocopies	0.25/page	
15 pages	Fax transmissions	1.00/page	
DISBURSEMENTS:		Subtotal	
		HST (13%)	

TOTAL (FEES, DISBURSEMENTS, AND HST)

Total	
Total Balance Owing	

Invoice for J. Palmer

Ann Litigate Paralegal Services
11 Any Street, Ottawa, Ontario K1A 0B0

Invoice #1016

June 30, 20**

Ms. Janet Palmer
 567 Jane Street
 Ottawa, Ontario K1A 0C1

FOR SERVICES RENDERED RE HIGHWAY TRAFFIC ACT MATTER:

Date	Hours Billed	Description	Billable Rate (/h)	Amount Billed
FEES:			Subtotal	
DISCOUNT, FLAT RATE SERVICE (\$450.00):			Subtotal	
			HST (13%)	

DISBURSEMENTS

Quantity	Description	Unit Price	Amount
25 pages	Photocopies	0.25/page	
35 km	Travel to/from Provincial Offences Court	0.40/km	
DISBURSEMENTS:		Subtotal	
		HST (13%)	

TOTAL (FEES, DISBURSEMENTS, AND HST)

Total	
Total Balance Owning	

